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CENTRAL INTELLIGENCE AGENCY

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COUNTRY Bulgaria/ Hungary/ Yugoslavia /Rumania

SUBJECT Economic Background to the Dyestuffs Trade/ Economic Difficulties and German Domination

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1. Of all the countries adversely affected by the First World War, one of the greatest areas of dislocation was Eastern Europe. The old Austro-Hungarian Empire had been broken up and what had been a single economic unit covering a large free trade area was split into a number of countries each with its own currency and tariffs. Three new countries had been formed out of it, and parts of its territories added to neighboring states. Trade was virtually at a standstill and the slump years 1920-23 and the severe inflation following them did little to improve the situation. Despite financial aid and export assistance, none of these countries could be described as being on their feet when the 1930 slump came and by 1931 foreign exchange controls were in force in all countries except Rumania. The first half of the 1930's saw some steady improvement in the commercial positions of these countries, but by the mid-thirties the international situation was already becoming unsettled. Hitler came to power in 1933 and 1935 saw the outbreak of war in Abyssinia. The boom year 1937 was followed by a sharp recession in trade in 1938 while the following year saw the outbreak of World War II.
2. Clearly then, the countries under review have, since 1920, been subject to an almost continuous series of commercially disrupting influences and trading conditions have seldom been "normal". Generally speaking, their trade became more widely distributed in the twenties but was later diverted largely to Germany. Indeed the outstanding change in the direction of trade of all these countries was the growth of the importance of their transactions with Germany. This was largely due to Germany's willingness to buy many products from them at prices higher than those prevailing in the world market. The advantages accruing to the Eastern European countries from this were, however, counterbalanced by the fact that the Germans blocked the resultant balances and were consequently able to dictate what products their customer should take from them. The extent to which individual German firms recognized the implications of the wider economic picture is illustrated by the fact that in Bulgaria IG Farben, while maintaining their own organization for marketing dyes, participated in other organizations handling Bulgarian exports to Germany. In fact, the superior position of the Germans in the dyestuffs markets of these countries pre-1939 was a reflection of their total trade relationships. In some cases, Germany was absorbing as much as 50% of the countries' total trade.

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3. The information available on the dyestuffs consuming industries prior to 1939 is, in most cases, severely limited; however, such information as is available is given below in order to assist in the formation of a picture which may be adjusted to some extent in the light of the even scantier post-World War II information :-

Bulgaria

4. The main dyestuffs consuming industries in Bulgaria were 219 textile establishments, employing 19,000 workers. There were in addition, 48 tanneries, four paper factories and 16 soap firms.

Hungary

5. No data available.

Yugoslavia

6. Pre 1939, the textile industry was the largest in the country apart from agriculture. It employed 74,000 workers in 424 different firms.

Rumania

7. Rumania possessed 558 textile firms, 147 paper firms, 164 leather firms and 33 soap firms.

8. The course of imports of dyestuffs into these countries prior to 1939 (1944 in the case of Bulgaria) (see graphs on pages 4 and 5), varies considerably, the Bulgarian showing little change in level over twenty years while the Yugoslav and the Hungarian show marked upward trends, especially the latter. Figures for Rumanian imports of dyestuffs are few, but the sequence from 1932 to 1940 is sufficient to indicate the general pre-war level.

9. In three cases separate figures for imports of Indigo are available; Bulgaria imported between 30/40 tons per annum, Yugoslavia 35/45 tons per annum and Rumania approximately 20 tons per annum. No indication of strength is available.

Recovery and Reconstruction - 1945/47.

10. In each of these countries, after World War II, foreign trade became a State monopoly. The first Hungarian nationalization covered only coal mining and electricity undertakings, and although pressure was exerted on the commercial banks, they were not taken over until 1947. In Bulgaria, up to 1947, the nationalized sector covered only insurance, some mines and the alcohol and tobacco industries, as well as rail transport. In Rumania there was no nationalization law until mid 1948. Mixed Soviet-Rumanian companies were, however, formed in oil, air-transport, banking and timber and later on in coal, metallurgical, chemical and petroleum equipment. State enterprises had, however, been important in pre-war Rumania. In Yugoslavia, a very ambitious Five-Year Plan was launched in 1946. It was not carried out, however, partly because it proved to be excessive in relation to the resources available and partly because of political difficulties which resulted in a breakdown of trade with other Eastern European countries and the Soviet Zone.

Industrial Expansion and the Emergence of the Economic Bloc - 1947/49.

11. The next phase in the development of these countries was the one in which they overtook their 1938 production levels (except in agriculture) and in which the size of the nationalized section of industry rose in most cases from 10-40% to over 90%. It was during this period that the general deterioration of East-West relations took place with the resultant tightening of links between the Eastern European governments. 1949 saw the formation of the Eastern European Council of Mutual Economic Assistance with its headquarters in Moscow. Moreover, it was in this year that the Eastern European governments first devoted considerable sums to expenditure on defense. Long

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term plans that were relatively more generous to the consumer were drastically revised. In the middle of the following year (1950) the European Payments Union became effective under the auspices of The Organization for European Economic Cooperation (OEEC) in the West, and the political division was translated into the economic sphere.

12. Post World War II trade between East and West reached its highest point in 1949, but even then it was substantially below the already low levels of the period immediately prior to the War. In 1952, however, a certain increase in trade took place mainly between West Germany and Rumania, Benelux and Austria and Bulgaria.

Requirements and Availability of Dyestuffs

13. A rough idea of the dyestuffs requirements of the four countries under review can be obtained by examining the pre-1939 level of imports and making adjustments in the light of the change in per capita consumption of fibres since 1938. See Enclosure (A). The result can only be approximate because the Governments of these countries are in a position to adjust what would be normal demands by extensive price manipulation and production control. Moreover, there are three large producers of dyestuffs within the Eastern bloc, USSR, Poland and Czechoslovakia, each of which has been developing its dyestuffs industry at some considerable rate. In 1949 the Hungarian nationalized dyestuffs industry claimed that its production of dyestuffs was sufficient to supply the domestic market, but since UNRRA stated in 1946 that the whole coal-tar industry was small and that neither dyestuffs nor intermediates were manufactured, the claim appears to be excessive. No statistics of the trade in dyestuffs between East European countries are available.

14. In overall total weight of dyestuffs produced the Eastern bloc may well be self-sufficient but since one of their major industrial problems is modernization of equipment, it is unlikely that they are self-sufficient in the higher quality products.

Imports of Dyestuffs

Imports of Dyestuffs & Organic Pigments from Major Producing Countries of the West (tons)

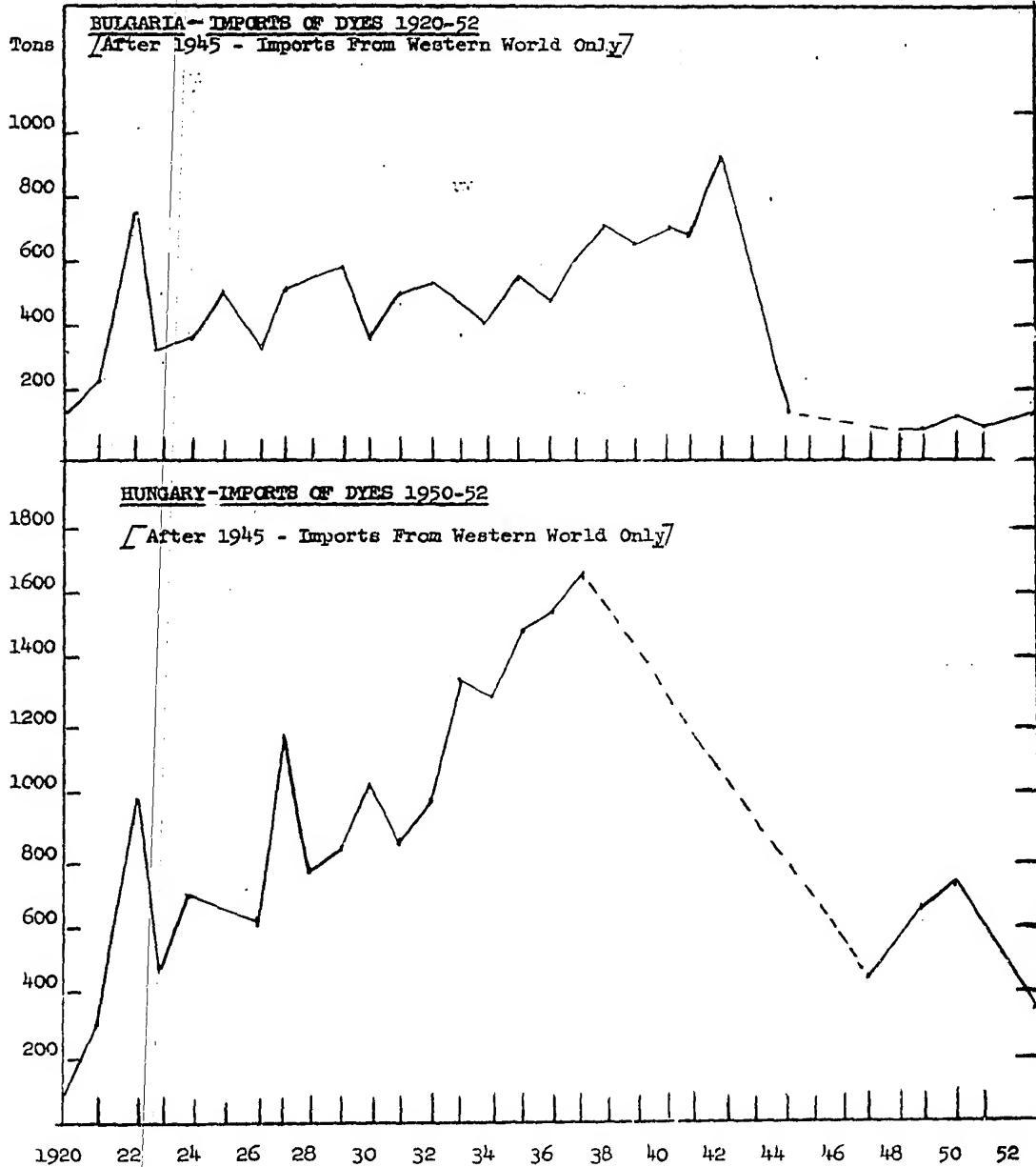
Country	Bulgaria				Hungary				Rumania				Yugoslavia			
	'49	'50	'51	'52	'49	'50	'51	'52	'49	'50	'51	'52	'49	'50	'51	'52
France	4	-	-	0	28	13	9	8	-	-	-	-	2	-	28	134
Germany	0	45	6	40	312	417	203	79	7	14	44	83	63	61	183	269
Italy	-	-	0	-	85	45	61	5	-	26	13	83	101	130	173	147
Switzerland	25	12	11	19	141	151	171	136	165	37	34	16	68	7	15	92
UK	0	15	1	1	51	1	1	-	32	3	0	1	14	42	47	120
USA	-	-	-	-	6	-	-	1	-	-	-	19	19	25	12	12
TOTAL	29	72	18	60	623	627	445	228	205	54	104	113	249	230	428	800

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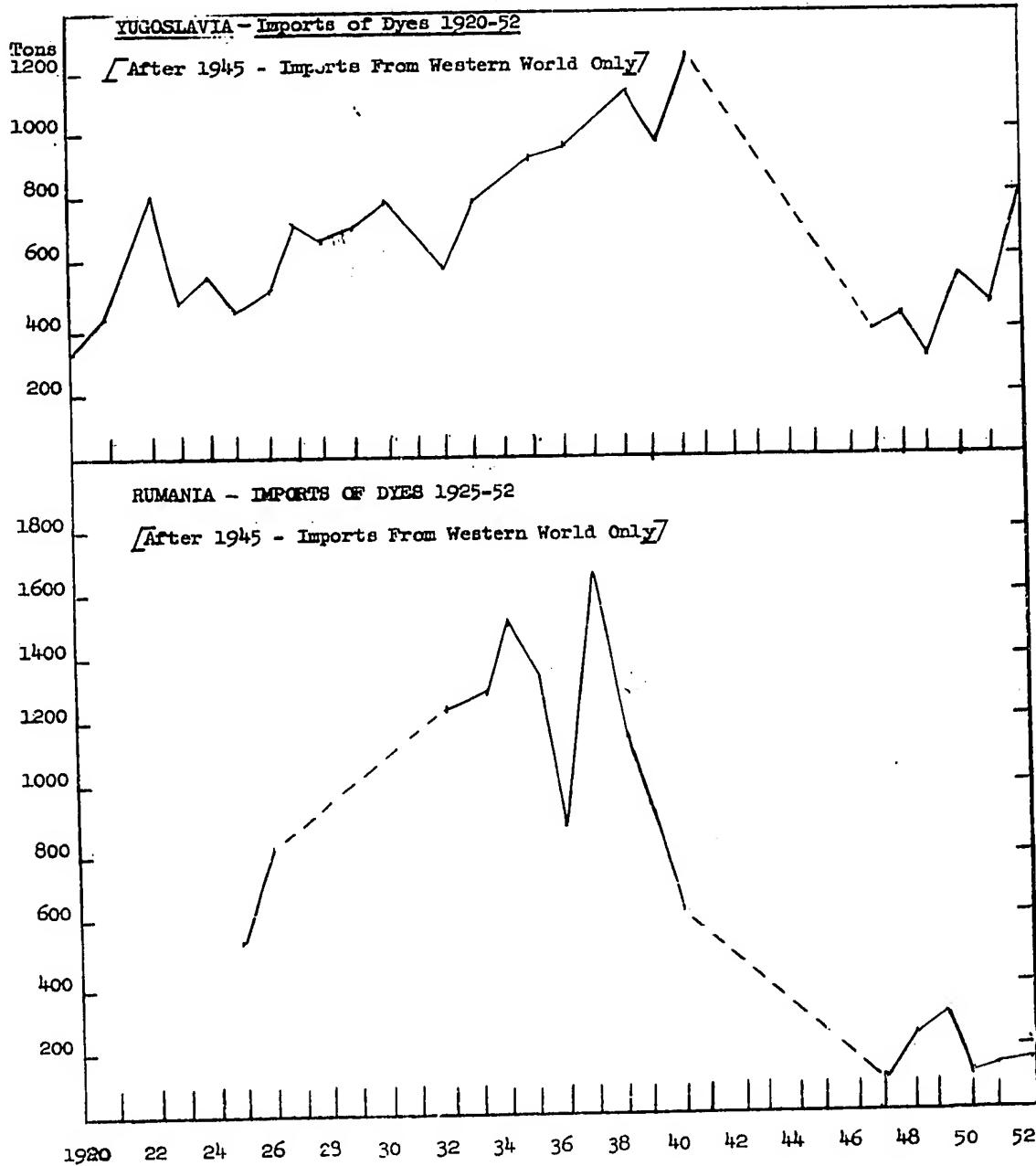


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15. It is clear from the table on page three that Yugoslavia is very much closer to being a "free" market than the other three, although Hungary has obtained substantial supplies from Germany and Switzerland over the past four years. Indeed Germany and Switzerland have been by far the most consistent exporters to this group of countries followed by Italy, with UK and France as less important and consistent suppliers.

Unit Value of German and Swiss Exports
£000/ton

Country	Germany		Switzerland	
	1951	1952	1951	1952
Bulgaria	3.3	1.7	1.7	2.2
Hungary	1.9	1.9	1.8	1.5
Rumania	3.5	1.8	1.9	2.6
Yugoslavia	1.4	1.2	1.9	1.3

16. The above table indicates that, despite fluctuations, the unit values of imports into the four countries can be quite high and, in the cases of Bulgaria and Rumania, extremely so. This can reasonably be attributed to the fact that these two countries manufacture cheaper dyestuffs, whilst Hungary doubtless experiences little difficulty in obtaining the cheap bulk products from within the Iron Curtain. The imports of these three countries from the West will, therefore, frequently consist of the more expensive dyestuffs. Yugoslavia, having less favorable trade relationships with the major producers of the East European Economic bloc, imports a much wider range of dyestuffs and consequently the unit value of her imports is at the lowest level of the four. Provided that the textile industries of these countries continue to expand, they should, given improved trade relations, be worth-while markets especially for the exporter of quality dyestuffs.

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Enclosure (A) Appendix -
Yugoslavia, Hungary, Rumania and Bulgaria Per Capita Fibre Consumption Levels

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APPENDIX

YUGOSLAVIA, HUNGARY, ROMANIA AND BULGARIA
Per Caput Fibre Consumption Levels

	Cotton				Wool				Rayon				Total (Cotton, Wool, Rayon)			
	1938	1949	1950	1951	1938	1949	1950	1951	1938	1949	1950	1951	1938	1949	1950	1951
Yugoslavia - Per Capita Consumption of Major Apparel Fibres	2.5	2.2	2.2	2.0	0.8	0.6	0.6	0.6	-	0.1	0.4	0.4	3.3	2.9	3.2	3.0
Hungary	"	3.1	3.3	3.1	3.1	0.7	0.3	0.3	0.3	0.2	0.4	0.3	4.1	3.8	3.8	3.7
Romania	"	2.2	1.2	1.4	1.4	0.8	0.4	0.4	0.4	0.1	0.1	0.2	3.1	1.7	1.9	2.0
Bulgaria	"	3.5	2.0	2.0	2.1	1.1	0.7	0.7	0.7	-	-	-	4.5	2.7	2.7	2.8
European Average	"	3.8	3.6	4.0	4.2	1.3	1.4	1.5	1.2	1.1	1.4	1.6	6.2	6.4	7.1	7.3

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